

Commonwealth of Massachusetts
State Treasurer & Receiver General Timothy P. Cahill
Debt Management Department



Responses to Submitted Questions
Pertaining to the RFP for
SWAP PORTFOLIO MONITORING SERVICES

March 20, 2009

REQUEST FOR PROPOSALS FOR SWAP PORTFOLIO MONITORING SERVICES

RESPONSES TO SUBMITTED QUESTIONS

Q. Attachment A to the RFP lists the existing swaps for the STO but does not provide complete details of the swap for “Rt 3 North Series 2002B” with Citi. Can you provide the fixed and floating rate index for this swap?

A. Attachment A has been updated and is attached to this document.

Q. Do any of the swaps contain options? If so, can you provide details of the option(s) for each swap?

A. For purposes of the RFP response, please assume no optionality.

Q. Has the STO received swap portfolio monitoring services from a third party in the past? If so, which firm or firms provided this service to the STO, how were the fees structured (e.g., a fee charged per swap per annual period, an annual retainer fee that covered all services under the contract, etc.), and what were the total fees charged for the most recent annual period in which such services were provided?

A. The STO has received swap portfolio monitoring services from third parties in the past.

Answers to the remaining questions are not necessary to complete a response to the RFP.

Q. An article in Wednesday’s Bond Buyer about this RFP states that an additional five swaps from Mass Pike may become part of the swap portfolio requiring monitoring services under the firm awarded this RFP. Are there any other swaps that you currently are aware of that the STO plans on entering into or swaps of any other issuer or agency that could potentially fall under this contract?

A. No.

Q. Does the STO have a traditional financial advisor under contract for debt issuance? If so, which firm(s) is the FA?

A. No.

Q. Does the STO require access to real-time (intraday) swap valuations?

A. No, real-time swap valuations are not required. However, web-based access to a current valuation is required. It should be noted that the frequency of mark-to-market valuations is a component of how firms will be evaluated as part of this RFP process. If swap valuations can be accurately provided to the STO on a real-time basis, that would provide enhanced benefit to the Commonwealth.

Q. Is the STO open to having certain information shared and delivered via Bloomberg?

A. No. The STO currently uses Bloomberg internally to model its swap portfolio and provide valuations. The STO is seeking third-party valuations by a qualified financial advisor to confirm and verify the mark-to-market valuations of the swaps in the Commonwealth's portfolio. Valuations provided via Bloomberg will not be acceptable.

Attachment A

The Commonwealth of Massachusetts
Summary of Outstanding Derivatives Exposure
As of April 1, 2009

Associated Series	Detail	Notional Outstanding	Swap Rates		Effective Date	Termination Date	Counterparty
			Paid	Received			
General Obligation Bonds							
GO Refunding Bonds, 1997 Series B	Floating-to-Fixed Rate Cost of Funds Swap	\$ 162,768,000	4.659%	Cost of Funds/VRDBs	8/12/1997	8/1/2015	Goldman Sachs Matsui Marine Deriv Prod Co., LP
GO Refunding Bonds, 1997 Series B	Floating-to-Fixed Rate Cost of Funds Swap	108,512,000	4.659%	Cost of Funds/VRDBs	8/12/1997	8/1/2015	Ambac Financial Services, LP
GO Refunding Bonds, 1998 Series A	Floating-to-Fixed Rate Swap	295,986,000	4.174%	60% 1-M LIBOR + 25 bp	11/17/2008	9/1/2016	Deutsche Bank AG, NY
GO Refunding Bonds, 1998 Series B							
GO Refunding Bonds, 1998 Series A	Floating-to-Fixed Rate Cost of Funds Swap	197,324,000	4.174%	Cost of Funds/VRDBs	9/17/1998	9/1/2016	Citi SwapCo, Inc.
GO Refunding Bonds, 1998 Series B							
GO Refunding Bonds, 2001 Series B	Floating-to-Fixed Rate Cost of Funds Swap	496,225,000	4.150%	Cost of Funds/VRDBs	2/20/2001	1/1/2021	Morgan Stanley Derivative Products Inc.
GO Refunding Bonds, 2001 Series C							
GO Refunding Bonds, 2003 Series B	Floating-to-Fixed Rate CPI Cost of Funds Swap	87,455,000	4.500%	CPI-Based	3/12/2003	3/1/2014	Goldman Sachs Matsui Marine Deriv Prod Co., LP
GO Refunding Bonds, 2003 Series B	Floating-to-Fixed Rate CPI Cost of Funds Swap	10,000,000	4.500%	CPI-Based	10/8/2008	3/1/2013	Deutsche Bank AG, NY
GO Refunding Bonds, 2005 Series A	Floating-to-Fixed Rate SIFMA Swap	540,725,000	2.925% - 4.000%	SIFMA	3/29/2005	2/1/2028	Citi
GO Refunding Bonds, 2006 Series C	Floating-to-Fixed Rate CPI Cost of Funds Swap	100,000,000	3.730% - 3.850%	CPI-Based	11/29/2006	11/1/2020	Citi
Consolidated Loan of 2007, Series A	Floating-to-Fixed Rate LIBOR Cost of Funds Swap	400,000,000	4.420%	LIBOR-Based	10/8/2008	5/1/2037	Barclay's Bank, PLC
GO Refunding Bonds, 2007 Series A	Floating-to-Fixed Rate LIBOR Cost of Funds Swap	31,665,000	3.963%	LIBOR-Based	10/8/2008	11/2/2025	Deutsche Bank AG, NY
GO Refunding Bonds, 2007 Series A	Floating-to-Fixed Rate LIBOR Cost of Funds Swap	414,130,000	4.083%	LIBOR-Based	10/8/2008	11/2/2025	Bank of New York Mellon
Consolidated Loan of 2007, Series D-1	Floating-to-Fixed Rate SIFMA Swap	109,125,000	3.942%	SIFMA - 3 bps	8/16/2007	8/1/2018	Merrill Lynch Capital Services, Inc.
Consolidated Loan of 2007, Series D-2	Floating-to-Fixed Rate SIFMA Swap	54,525,000	3.942%	SIFMA - 3 bps	8/16/2007	8/1/2018	Bear Stearns Financial Products
Rt 3 North	Floating-to-Fixed Rate Swap	\$ 294,000,000	4.515%	67% 3-M LIBOR	11/25/2008	6/15/2033	Citibank Financial Products, Inc.
Subtotal		\$ 3,302,440,000					
Special Obligation Bonds							
Series 2004	Floating-to-Fixed Rate CPI Cost of Funds Swap	\$ 28,863,000	4.450% - 5.250%	CPI-Based	6/29/2004	1/1/2018	Goldman Sachs Capital Markets, LP
Series 2004	Floating-to-Fixed Rate CPI Cost of Funds Swap	28,863,000	4.450% - 5.250%	CPI-Based	6/29/2004	1/1/2018	J.P. Morgan Chase Bank
Series 2004	Floating-to-Fixed Rate CPI Cost of Funds Swap	28,863,000	4.450% - 5.250%	CPI-Based	6/29/2004	1/1/2018	Bear Stearns Capital Markets Inc.
Series 2005A	Floating-to-Fixed Rate CPI Cost of Funds Swap	96,490,000	4.771% - 5.060%	CPI-Based	6/12/2005	6/1/2022	Merrill Lynch Capital Services, Inc.
Subtotal		\$ 183,079,000					
TOTAL		\$ 3,485,519,000					